

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF ENERGY CURTAILMENT)
AND OUTAGE RESTORATION PRIORITIES FOR) ADMINISTRATIVE
ELECTRIC UTILITIES) CASE NO. 353

O R D E R

This investigation was established by Order dated January 20, 1995 to consider issues relating to curtailment procedures and restoration plans of jurisdictional electric utilities. In response to that Order, the electric utilities filed their existing curtailment and restoration plans and commented on the issues raised. The Kentucky Natural Resources and Environmental Protection Cabinet, through its Kentucky Division of Energy ("KDoE"), subsequently requested and was granted full intervention.

For the most part, the electric utilities advocated no changes to their curtailment procedures and indicated their willingness to consider the special needs of their customers in their outage restoration plans. The KDoE has recommended that the Commission become more actively involved in the planning process for energy emergencies and has outlined specific suggestions in its March 6, 1995 filing. Each of these suggestions is discussed below.

Energy Curtailment

The KDoE recommends that electric utilities be required to establish mandatory energy curtailment procedures based on Commission guidelines to be used when customer demand appears likely to exceed the utility's available supply of energy. The KDoE notes that many utility emergency plans specify that rolling blackouts will be implemented only on the order of

government authorities, such as the Governor, to shield the utilities from liability for curtailing customer usage. Under these circumstances, the KDoE asserts that it is important for the utilities, their customers, and government to have a common understanding of how the system will function, particularly when important decisions must be made quickly in an emergency.

The Commission shares these concerns, particularly when decisions must be made quickly. If government-ordered curtailments are necessary, governmental authorities will require assurances that all reasonable steps have been taken to mitigate an energy shortage. Established curtailment procedures would provide a basis for these assurances and expedite the decision making process in an emergency.

Curtailment procedures were established in Administrative Case No. 231.¹ However, those procedures specifically address coal shortages. The utilities' responses in this case demonstrate their common understanding of the general applicability of these procedures, insofar as practicable. To ensure that this common understanding is maintained between emergencies, the Commission will require each jurisdictional utility to include its curtailment procedures in its tariffs. As tariffs reflect the specific terms and conditions of service, it is appropriate for them to describe the process by which service could be curtailed or interrupted.

¹ Administrative Case No. 231, Kentucky Utilities Company and Louisville Gas and Electric Company Contingency Plans for Emergency Procedures during an Energy Shortage. Subsequent cases were established for other electric utilities as follows: Administrative Case No. 238, East Kentucky Power Cooperative, Inc., and Big Rivers Electric Corporation; Administrative Case No. 239, Union Light, Heat and Power Company Emergency Procedures; Administrative Case No. 240, Emergency Procedures of the Electrical Distribution Utilities Who Are Served by East Kentucky Power Cooperative Corporation; Administrative Case No. 241, Emergency Procedures of the Electric Distribution Utilities Who Are Served by Big Rivers Electric Corporation; Administrative Case No. 243, Jackson Purchase Electric Cooperative Corporation Emergency Procedure.

Those generating and distribution utilities whose tariffs already contain curtailment procedures, need not refile them if they accurately reflect the current procedure. Curtailment procedures filed in this proceeding should be refiled as tariffs. East Kentucky Power Cooperative, Inc. and Big Rivers Electric Corporation effectively transfer curtailment priority decisions to their member cooperatives. Accordingly, the distribution utilities should include curtailment procedures in their tariffs.²

Restoration Priorities

The KDoE recommends that electric utilities be required to establish mandatory emergency restoration priorities based on Commission guidelines. KDoE notes that, because some customers should receive a priority for restoration of power because of health and safety needs, utilities should analyze those needs and take reasonable steps to assure that they are met. KDoE proposed a ranking system with specific types of services included in categories.

The utilities acknowledge the reasonableness of assigning priority to customers with critical health and safety needs. At the same time, they are concerned that restoration priorities not impede efforts to restore systems as quickly as possible. Many note that customers with critical service needs should be required or encouraged to have back-up power supplies.

It is reasonable to expect the electric utilities to analyze their priority needs and take the necessary steps to meet them. Balancing specific individual needs with infrastructure needs that affect a larger population is a delicate task best performed by the affected utility because of the

² Utilities needing to develop curtailment tariffs may wish to review those filed by Blue Grass Rural Electric Cooperative Corporation, Henderson Union Electric Cooperative Corporation, Louisville Gas and Electric Company, and Berea College Electric Utility Department.

detailed information necessary to perform it. Therefore, the Commission will not specify a list of priorities. Instead, the utilities should take those steps necessary to ensure that priority needs are considered in their restoration efforts. Such steps include identification and qualification of critical needs in their service territories and providing reasonable estimates of repair times to aid customers in assessing the need for alternative power sources and temporary relocations. The Commission notes that it would be reasonable to expect that priorities established in curtailment procedures would apply to restoration priorities in reverse order.

Disaster Planning

The KDoE urges the Commission to require electric utilities to engage in structured disaster planning. It suggests that as a minimum, disaster planning should address hazard mitigation, response and recovery measures, as well as the planning process itself.

The utilities are generally opposed to requirements imposed by the Commission. As an alternative, Kentucky Utilities Company has proposed that the Commission continue its initiative to coordinate the curtailment and service restoration procedures of utilities through efforts such as regularly scheduled conferences or meetings between the Commission staff and utilities.

Obviously, utilities should plan for disasters. The 1994 winter storm outages highlighted the continuing need for disaster planning, and have again raised the issue of whether additional requirements imposed by the Commission are needed. However, although the KDoE has specified minimum criteria for the disaster planning process, there is no evidence that the utilities need to be compelled to participate. Furthermore, the measures specified by the KDoE illustrate that the disaster planning process is a dynamic, not static, process. The KDoE has already taken the initiative in this regard by jointly sponsoring, with the Kentucky Division of Disaster and

Emergency Services, the 1995 Kentucky Energy Preparedness Conference. The most efficient and effective means of ensuring disaster preparedness would be through similar joint efforts involving utilities, interested parties, and Commission staff. Therefore, the Commission will again decline to require utilities to take specific measures on the expectation that the utilities will continue to prepare voluntarily for disasters.

Generating Capacity Reserve

The KDoE also recommends that the Commission require electric utilities to assess generating capacity reserve margins necessary to meet priority needs. The KDoE is concerned that possible changes in the industry, such as deregulation of generation, may cause utilities to reduce investment in increased generating capacity which might not be recoverable in a deregulated market. The KDoE is further concerned that some utilities experienced new peak demands during the 1994 severe cold, even though portions of their loads were already curtailed by downed power lines or other transmission and distribution problems.

The issues of generating capacity and reserve margins are fully addressed on a regular basis in the Integrated Resource Planning ("IRP") process. As electric utilities in Kentucky are required to perform resource planning on a periodic basis, it is not necessary to require them to perform an additional assessment outside of the IRP process. In the event that electric generation should be deregulated, it will be up to market forces, not this Commission, to ensure that an adequate supply exists.

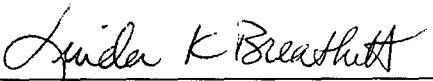
IT IS THEREFORE ORDERED that:


1. Each jurisdictional electric utility shall file its energy curtailment procedures in its tariffs within 60 days of the date of this Order.


2. Each electric utility shall take reasonable steps to identify all customers with priority needs and ensure that their needs are considered in the utility's restoration efforts.

Done at Frankfort, Kentucky, this 18th day of January, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director